



# IRONWOOD

INVESTMENT MANAGEMENT®, LLC

## VIP SMALL-MID CAP VALUE STRATEGY PROFILE — As of 2/28/2018

Composite Performance	MTD	YTD	1 Year	3 Years	5 Years	Since Inception (06/30/2009)
Gross of Fees: VIP Small-Mid Cap Value	-4.97%	-3.04%	3.59%	9.33%	12.31%	18.35%
Net of Fees:	-5.05%	-3.20%	2.56%	7.94%	11.01%	17.06%
Russell 2500 Value Index	-4.91%	-3.71%	3.75%	7.23%	10.61%	14.84%

All performance data is preliminary and as of 2/28/2018. Final performance data will be available 20 business days after the end of the month. All performance data over a 1-year period is annualized. Please see footnotes to performance on last page.

### OVERVIEW

The objective of the Value Investment Partners (“VIP”) Small-Mid Cap Value Strategy has been the same since 1999—to purchase shares of small to mid cap companies with good long-term prospects and a demonstrated history of management integrity that trade at a wide discount to intrinsic value. Fundamental research and absolute, rather than relative, valuations drive the stock selection process. The portfolio is diversified relative to macroeconomic variables and individual security allocation limits, not benchmark weightings. We seek to attain the highest level of absolute return with the lowest level of risk over a full economic cycle.

### INVESTMENT PHILOSOPHY

We buy shares of small to mid cap US companies from (\$300 million to \$3.5 billion); all are quality companies that are selling at dislocated prices. Companies must meet seven quantitative and qualitative criteria to qualify for purchase: 1) shares sell at a low P/E so earnings yield exceeds AA 20-year corporate bond yield on forward 12-month earnings; 2) earn an ROE consistently above 15%; 3) utilize financial leverage below industry peers; 4) generate positive free cash flow to internally fund growth; 5) demonstrate consistent historical earnings growth; 6) have an achievable business plan to grow revenues and earnings faster than inflation; 7) employ conservative accounting and design management incentives aligned with shareholder interests.

### PORTFOLIO MANAGEMENT

We manage concentrated portfolios of 30-50 names, equally dollar weighted at cost. Both portfolio managers must agree on purchases. Portfolios are diversified relative to macroeconomic variables: interest rates; cost and availability of labor; GDP growth rate; inflation rate; value of US\$ relative to other currencies; cost and availability of material inputs, including energy. Our goal is to minimize the portfolio’s exposure to dramatic changes in any of these factors. Portfolios are not managed to a particular benchmark. Stocks are sold when they appreciate to 150% of the P/E at purchase or when they reach 85% of private market value. Positions are trimmed when they become 5% of the portfolio if the stock has not met our sell criterion. Our average holding period is 2-3 years.

## VIP SMALL-MID CAP VALUE STRATEGY PROFILE

### INVESTMENT TEAM

**Paul Weisman** is a portfolio manager of the Value Investment Partners strategies. Mr. Weisman has an MA in industrial organization (applied microeconomics) from Boston University and a BA from Haverford College. Prior to joining Ironwood as the head of the VIP team in 2009, Mr. Weisman was Chief Investment Officer at J.L. Kaplan Associates which he joined in 1986. From 1983 to 1986 he was an investment analyst at Delphi Management.

**Regina Wiedenski** is a portfolio manager of the Value Investment Partners strategies. Ms. Wiedenski has an MS in management with a concentration in finance from the Sloan School at M.I.T. and a BS from M.I.T. Prior to joining Ironwood to manage VIP portfolios, she was a portfolio manager at J.L. Kaplan Associates. Previously she was an equity analyst at Advest, Inc. and had spent nine years as an analyst at Adams, Harkness & Hill covering healthcare, specialty chemical, instrumentation and publishing companies. She began her career as a financial analyst at Morgan Stanley.

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# VIP SMALL-MID CAP VALUE STRATEGY PROFILE

## COMPOSITE HIGHLIGHTS

### Investment Universe

- U.S. Domestic Equity Securities
- Market Cap < \$3.5 billion

### Investment Approach

- Searching For Attractive Valuation
- Bottom Up Stock Picking
- Focus on Management
- Intensive Original Research
- Disciplined Process with Strict Risk Controls

### Company Characteristics

- Consistent earnings growth
- High ROE
- Low financial leverage
- Generating free cash flow

## TOP TEN HOLDINGS

(SUPPLEMENTAL DATA)

As of 12/31/2017

Koppers Holdings, Inc.	5.73%
Barrett Business Services, Inc.	5.18%
Commercial Vehicle Group	4.96%
KMG Chemicals, Inc.	4.61%
TTM Technologies, Inc.	4.37%
Barnes Group, Inc.	4.17%
Invacare Corporation	4.04%
Comtech Telecommunications	3.85%
Arrow Electronics, Inc.	3.49%
Belden, Inc.	3.46%

## CONTACT INFORMATION

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## PORTFOLIO CHARACTERISTICS

(SUPPLEMENTAL DATA)

As of 12/31/2017

Price/Book Value	1.9x
Price/Cash Flow	9.6x
Price/Sales	0.7x
Price/Earnings	20.1x

## VIP SMALL-MID CAP VALUE STRATEGY PROFILE

### FOOTNOTE TO PERFORMANCE

*Ironwood Investment Management, LLC is an independent investment advisory firm providing investment advisory services to institutional clients, mutual funds, and high-net-worth clients. The firm is a registered investment adviser with the Securities Exchange Commission. Accounts in the VIP SMID Cap Value composite include separately managed, fully discretionary, non-fee-paying portfolios. The objective of the Value Investment Partners (VIP) Small-Mid Cap Value Strategy is to purchase shares of small to mid cap companies with good long-term prospects and a demonstrated history of management integrity that trade at a wide discount to intrinsic value. Fundamental research and absolute, rather than relative, valuations drive the stock selection process. Concentrated portfolios of 30-35 names are diversified relative to macroeconomic variables and individual security allocation limits, not benchmark weightings. Performance data is quoted U.S. Dollars and represents past performance and is no guarantee of future results. The specific securities identified and described in this letter do not represent all of the securities, purchased, sold or recommended for advisory clients. The reader should not assume that the investments in the securities identified and discussed were or will be profitable. Returns include the reinvestment of dividends and other income. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that account values may be worth more or less than original cost. Ironwood Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Separate account performance calculations are reported "gross of fees" as actual fees may vary with factors such as the size of the account and; net returns will be reduced by the effect of the highest management fees; note to schedule available upon request. Top ten holdings, market sectors and asset allocation information are presented to illustrate examples of the manager's investment style and may not be representative of the manager's current or future investments. Investment management fees are 1.00% on the first \$5 million, 0.90% on the next \$10 million, 0.80% on the next \$10 million, 0.70% on the next \$10 million, 0.60% on the next \$10 million, and 0.50% over \$45 million on an annual basis and a client's return will be reduced by these and other related expenses. The actual fee charged to an individual portfolio may vary by size and type of portfolio and may be negotiated. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary. Top ten holdings do not include money market investments and are presented as supplemental information to the GIPS® compliant presentation. Investments in smaller companies generally carry greater risk than is customarily associated with larger companies for various reasons such as narrower product lines, limited financial resources and less depth in management. Small company stocks also tend to be more volatile and less liquid than stocks of larger companies. The Russell 2000 Index is unmanaged and is composed of the 2,000 smallest stocks in the Russell 3000 Index, a market-weighted index of the 3,000 largest US publicly traded companies. All Russell 2000 Indexes are similarly constituted with Value represented by companies considered undervalued and Growth represented by companies with above average growth characteristics. The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "SMID" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. It is not possible to invest in any index. The views expressed may not reflect management's views on the date of first use or anytime thereafter. These views are intended to assist in understanding the manager's investment methodology and do not constitute investment advice. The information contained in all correspondence is proprietary in nature. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. The foregoing has been prepared solely for information purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or to participate in any particular trading strategy. Please contact Ironwood for a GIPS® compliant presentation and the firm's list of composite descriptions.*